

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ISO-00 ABF-01 FSE-00 AID-20 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 PC-10

DRC-01 /102 W

----- 094863

R 291045Z AUG 74

FM AMEMBASSY ACCRA

TO SECSTATE WASHDC 4765

UNCLAS ACCRA 4774

E.O. 11652: N/A

TAGS: EFIN GH

SUBJ: GHANAIAN BUDGET PROPOSAL FY75

1. SUMMARY: THE GOG'S FY75 BUDGET PROPOSAL CONTINUES TO EXAMINE AND GIVE ENCOURAGEMENT TO MEANS OF DIVERSIFYING GHANA'S EXPORT BASE IN THE FACE OF HREDICTED BALANCE OF PAYMENTS DEFICIT OF CEDIS 29.4 MILLION FOR CALENDAR YEAR 1974. THE GOVERNMENT, MINDFUL OF INFLATION, SELECTIVELY RAISED CERTAIN PRICES WHILE LEAVING OTHERS UNTOUCHED.

2. THE FOLLOWING ARE SOME OF MAIN POINTS CONTAINED IN THE BUDGET PROPOSAL FOR FY75, RELEASED BY THE MINISTRY OF FINANCE ON AUGUST 23, 1974.

A. MEASURES AFFECTING FOREIGN EXCHANGE

I. IMPORT LICENSE LEVY ON TEXTILES RAISED FROM 30 TO 50 PERCENT TO ALLOW LOCALLY MANUFACTURED TEXTILES TO COMPETE MORE EFFECTIVELY WITH IMPORTED ONES ACCORDING TO PROPOSAL. IMPORT DUTY OF 50 PERCENT REMAINS IN FORCE.

B. PROMOTION OF EXPORTS

I. CORPORATE TAX REBATES, AND IMPORT LICENSE

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CONCESSIONS AVAILABLE TO EXPORTERS OF NON-TRADITIONAL

PRODUCTS (I.E., EXPORTS OTHER THAN TIMBER, GOLD, COCOA AND DIAMONDS). TWO MILLION CEDIS ALLOCATED FOR MAINTENANCE OF 20 PERCENT EXPORT BONUS ON GROSS VALUE OF EXPORT PROCEEDS OFFERED TO ENCOURAGE NON-TRADITIONAL EXPORTS.

II. CERTAIN AGRICULTURAL, MARINE, AND MANUFACTURED PRODUCTS TO BE SELECTED FOR EXPORT DEVELOPMENT. FOREIGN FIRMS OPERATING IN GHANA ARE URGED TO INVEST PROFITS WHICH WOULD NORMALLY BE AWAITING FOREIGN EXCHANGE COVER (A FIVE YEAR PROCESS IN MANY INSTANCES) IN AGRICULTURAL PROJECTS. PROVISIONS TO BE MADE FOR ACCELERATING CONVERSION INTO FOREIGN EXCHANGE OF A PORTION OF PARTICIPATING FIRMS PROFITS. EITHER GHANA GOVERNMENT OR PRIVATE GHANAIANS SHOULD HAVE 40 PERCENT EQUITY IN THESE PROJECTS.

C. REVENUE MEASURES

I. IMPORT DUTY AND PURCHASE TAX ON VEHICLES BROUGHT IN TO GHANA BY GHANAIANS RETURNING AFTER 12 CONTINUOUS MONTHS ABROAD REIMPOSED. OFFICIALS FELT FREE ENTRY PRIVILEGES ACCORDED THESE INDIVIDUALS WERE BEING ABUSED.

II. EXCISE DUTY ON BEER RAISED FROM CEDI 1.94 TO CEDI 2.24 PER GALLON. PRICE OF A BOTTLE OF BEER INCREASED FROM CEDI 0.66 TO CEDI 0.70 IN BARS AND FROM CEDI 0.70 TO CEDI 0.75 IN HOTELS. DUTY ON CIGARETTES WAS RAISED FROM 45 TO 55 PERCENT. SOFT DRINK PRICES ALSO INCREASED.

III. PRESENT EX-PUMP PRICES OF GASOLINE, DIESEL, AND PRICE OF DEISEL FUEL AND KEROSENE MAINTAINED. THE GOVERNMENT, WHICH STILL HEAVILY SUBSIDIZES THESE ITEMS, FEARS THAT AN INCREASE IN THESE PRICES WOULD HAVE SPIRALING INFLATIONARY EFFECT ON THE ENTIRE ECONOMY.

IV. THERE WAS AN UPWARD REVISION IN TEXTBOOK FEE CHARGES FOR PRIMARY AND SECONDARY SCHOOL CHILDREN. GOVERNMENT SCHOLARSHIPS GIVEN TO UNIVERSITY STUDENTS ARE TO BE LESS COMPREHENSIVE.

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V. THE BUDGET PROPOSAL EMPHASIZES THE NECESSITY FOR CONTRIBUTIONS BY GOVERNMENT-OWNED CORPORATIONS TO THE CENTRAL REVENUE. THE GOVERNMENT EXPECTS TO COLLECT NOT LESS THAN CEDI 70 MILLION CONTRIBUTIONS FROM PROFITS OF THESE CONCERNS THIS FISCAL YEAR.

VI. A NEW MORE PROGRESSIVE TAX ON RENT INCOMES WAS INTRODUCED.

D. DEVELOPMENT

I. AN ESTIMATED CEDI246 MILLION WILL BE SET ASIDE FOR DEVELOPMENT IN FY75. OF THIS CEDI22 MILLION IS SPECIFICALLY EARMARKED FOR AGRICULTURE, CEDI1.4 MILLION FOR INDUSTRY, CEDI54.2 MILLION FOR INFRASTRUCTURE PROJECTS, CEDI6.3 MILLION FOR HOUSING, CEDI12.8 MILLION FOR HEALTH, AND CEDI20 MILLION FOR EDUCATION.

3. TOTALCURRENT NON-DEBT EXPENDITURES FOR FY75 IS ESTIMATED AT CEDI554.01 MILLION. THE GOVERNMENT EXPECTS TO REDUCE SHORT-TERM INDEBTEDNESS BY CEDI35.0 MILLION, SOMEWHAT LESS THAN THE CEDI56.1 MILLION OR CEDI68.5 MILLION PAID IN 1972 AND 1973 RESPECTIVELY. RESERVES ARE EXPECTED TO DECLINE BY CEDI69.2 MILLION, LARGELY REFLECTING CRUDE OIL PRICE INCREASES.

4. EIGHT COPIES OF THE BUDGET PROPOSAL FOR FY75 WERE FORWARDED TO THE DPEARTMENT BY POUCH UNDER CERP PROGRAM REQUIREMENTS ON AUGUST 27.

5. A "FINANCIAL STATEMENT" VOLUME OF ANNUAL ESTIMATES DETAILING CURRENT REVENUE, RECURRENT EXPENDITURES, CAPITAL RECEIPTS, ETC., WILL BE PUBLISHED IN A FEW WEEKS. THE EMBASSY WILL FORWARD THESE FIGURES TO THE DEPARTMENT AS SOON AS THEY ARE AVAILABLE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, DEFICIT FINANCING, ANTIINFLATIONARY PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ACCRA04774
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740239-0647
From: ACCRA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974089/aaaaahnm.tel
Line Count: 143
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 09 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 OCT 2002 by ReddocGW>; APPROVED <24 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GHANAIAN BUDGET PROPOSAL FY75
TAGS: EFIN, GH
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005